

Message Text

UNCLASSIFIED

PAGE 01 CALGAR 00255 042146Z
ACTION EB-08

INFO OCT-01 EUR-12 ISO-00 SOE-02 AID-05 CEA-01 CIAE-00
COME-00 DODE-00 DOE-15 H-02 INR-10 INT-05 L-03
NSAE-00 NSC-05 OMB-01 PM-05 ICA-20 OES-07 SP-02
SS-15 STR-07 TRSE-00 ACDA-12 /138 W
-----021244 050232Z /65

R 042000Z MAY 78
FM AMCONSUL CALGARY
TO SECSTATE WASHDC 2403
INFO AMEMBASSY OTTAWA

UNCLAS CALGARY 0255

E.O. 11652:NA
TAGS: ENRG, CA
SUBJECT: TRANSCANADA SEEKS INDUSTRY AGREEMENT ON GAS
PRORATIONING

1. FACED WITH REDUCED MARKET GROWTH, THE LOSS OF
INDUSTRIAL CUSTOMERS IN ONTARIO, AND PRODUCER ACTIONS TO
MAINTAIN OR INCREASE THEIR DELIVERABILITY CAPABILITY,
TRANSCANADA PIPELINES LTD. (TCPL) WILL BE FORCED TO

PURCHASE AS MUCH AS 200 BCF OF NATURAL GAS ANNUALLY ON
"TAKE OR PAY" BASIS FOR NEXT ONE-TWO YEAR PERIOD. IN
CONSEQUENCE, TRANSCANADA HAS ASKED ITS SUPPLIERS TO ACCEPT
"VOLUNTARY" PRORATIONING SCHEME WHICH WOULD PERMIT EQUITABLE
DISTRIBUTION OF REDUCTIONS IN GAS DELIVERIES AMONG
PRODUCERS DURING CONTRACT YEARS ENDING OCTOBER 31, 1978
AND OCTOBER 31, 1979. (WE UNDERSTAND THAT TCPL IS ASKING
PRODUCERS TO EXTEND TERM OF "TAKE OR PAY" CONTRACT
PROVISION FROM TWO TO SIX YEARS).

2. TRANSCANADA HAS WARNED ITS SUPPLIERS THAT IT IS
PREPARED TO EXERCISE ITS CONTRACTUAL RIGHTS TO CUT BACK
DELIVERIES; HOWEVER, IT WANTS TO AVOID TAKING THIS ACTION
UNCLASSIFIED

UNCLASSIFIED

PAGE 02 CALGAR 00255 042146Z

WHICH WOULD BRING ABOUT: (A) SHUTDOWN OF GAS PROCESSING
PLANTS; (B) LOSSES OF OIL, GAS LIQUIDS, AND SULPHUR
PRODUCTION AND/OR FLARING OF GAS; AND (C) INSTALLATION
BY PRODUCERS OF EXPENSIVE NEW PROCESSING FACILITIES TO
BRING GAS UP TO QUALITY SPECIFICATIONS. GAS PRODUCERS
HAVE UNTIL MAY 9 TO DECIDE ON ACCEPTANCE OF TCPL
PRORATIONING PROPOSALS, AND TRANSCANADA PLANS TO ADVISE

SUPPLIERS BY MAY 16 IF PRORATIONING SCHEME IS TO BE
IMPLEMENTED.

3. COMMENT: TRANSCANADA PRORATIONING PLAN PRESENTS
MANY PRODUCERS WITH DIFFICULT DILEMMA. INTEREST ON
MONEY BORROWED BY TRANSCANADA FOR TAKE OR PAY COMMIT-
MENTS BECOMES PART OF COST OF SERVICE, AN EXPENSE
ULTIMATELY BORNE BY PRODUCERS, AND WHILE TAKE OR PAY
ARRANGEMENTS MAINTAIN PRODUCERS CASH FLOW, SUCH PAYMENTS
ARE TREATED AS DEFERRED INCOME ON WHICH ROYALTIES AND
TAXES MUST BE PAID AT SOME FUTURE PERIOD. MOST PRODUCERS
APPEAR TO BELIEVE THAT TRANSCANADA S PRORATIONING
PROPOSALS ARE BETTER ALTERNATIVE THAN GOVERNMENT
DIRECTED ALLOCATION OF AVAILABLE GAS SUPPLIES, BUT THERE
IS CONSIDERABLE RESENTMENT OVER TCPL S BAD PLANNING.
ALBERTA GOVERNMENT HAS CLEARLY INDICATED THAT IT WISHES TO
AVOID RESPONSIBILITY FOR DISTRIBUTING AVAILABLE GAS
MARKET AMONG PRODUCERS, AND WE BELIEVE THAT TCPL
PRORATING PLAN WILL BE RELUCTANTLY ADOPTED IN NO SMALL
MEASURE BECAUSE PRODUCERS ARE CONCERNED ABOUT THEIR
FUTURE ABILITY TO SELL MORE GAS TO TRANSCANADA SYSTEM.
AS SEEN FROM HERE, TRANSCANADA S PRORATIONING PLANS
PUT IT FURTHER INTO THE INDUSTRY AND ALBERTA GOVERNMENT
DOGHOUSE AND INCREASE THE PRESSURES FOR PREBUILDING THE
SOUTHERN LEG OF ALASKAN HIGHWAY GAS PIPELINE. ALBERTA
AND SOUTHERN IS ALSO TAKING STEPS UNDER ITS CONTRACTS
UNCLASSIFIED

UNCLASSIFIED

PAGE 03 CALGAR 00255 042146Z

TO REDUCE ALBERTA GAS DELIVERIES BY ANOTHER 50 BCF
ANNUALLY.

RATTRAY

UNCLASSIFIED

NNN

Message Attributes

Automatic Decaptoning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: INDUSTRY, AGREEMENT, PETROLEUM
Control Number: n/a
Copy: SINGLE
Draft Date: 04 may 1978
Decapton Date: 01 jan 1960
Decapton Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 jan 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978CALGAR00255
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D780191-0657
Format: TEL
From: CALGARY
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780594/aaaadclh.tel
Line Count: 97
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 1af098a4-c288-dd11-92da-001cc4696bcc
Office: ACTION EB
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 29 mar 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: N/A
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2796624
Secure: OPEN
Status: NATIVE
Subject: TRANSCANADA SEEKS INDUSTRY AGREEMENT ON GAS PRORATIONING
TAGS: ENRG, CA, TRANSCANADA
To: STATE
Type: TE
vdkgvgwkey: odbc://SAS/SAS.dbo.SAS_Docs/1af098a4-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014